



**Thembisile Hani Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2015**

# Annual Financial Statements

for

## Thembisile Hani Local Municipality

for the year ended 30 June 2015

Province: 

Mpumalanga
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AFS rounding: 

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# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## General Information

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### Members of the Council

Executive Mayor

Speaker

Chief Whip

Member of Executive Committee

Member of Executive Committee

Member of Executive Committee

Member of Executive Committee

Member of Executive Committee

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Hon. NJ Mahlangu

Cllr PP Moseri

Cllr JL Mtsweni

Cllr LX Mtsweni

Cllr HM Kabine

Cllr JJ Jiyane

Cllr MQ Mnguni

Cllr LM Mboweni

Cllr A Mahlangu

Cllr MP Mtsweni

Cllr TL Huma

Cllr MA Motena

Cllr BJ Skosana

Cllr KV Jiyane

Cllr CD Zabane

Cllr M Msiza

Cllr LM Tshabangu

Cllr MJ Masuku

CllrHM Dhlantalala

Cllr TE Mashinini

Cllr N Ngoma

Cllr M Danisa

Cllr MC Mosena

Cllr BS Mnyakeni

Cllr DD Sithole

Cllr NS Mahlangu

Cllr PA Masombuka

Cllr SS Mbonani

Cllr MJ Madonsela

Cllr BP Masombuka

Cllr JZ Buthe

Cllr MS Nkutha

Cllr JM Masombuka

Cllr MC Shabalala

Cllr JB Mahlangu

Cllr RH Mohlamonyane

Cllr M Mlambo

Cllr JF Mashiya

Cllr TW Mthombeni

Cllr MM Sepogwana

Cllr AB Khumalo

Cllr JT Mahlangu

Cllr MH Buda

Cllr DM Msibi

Cllr MT Nobela

Cllr MO Sikosana

Cllr SJ Masango

Cllr SL Mahlangu

Cllr NB Malefo

# **Thembisile Hani Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **General Information**

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Member	Cllr JS Ntuli
Member	Cllr AS Motau
Member	Cllr BT Mahlangu
Member	Cllr JJ Tau
Member	Cllr SS Dube
Member	Cllr HM Kabine
Member	Cllr MM Nkabinde
Member	Cllr SZ Mnamatheli
Member	Cllr DV Lukhele
Member	Cllr SM Hlungwani
<b>Grading of local authority</b>	Grade 3
<b>Acting Municipal Manager (MM)</b>	Mr ON Nkosi
<b>Chief Finance Officer (CFO)</b>	Ms MS Makgaba
<b>Physical Address</b>	24 Kwaggafontein C Kwaggafontein 3100
<b>Postal address</b>	Private Bag X4041 Empumalanga 0458
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Auditor General of South Africa
<b>Telephone number</b>	013 986 9100
<b>Fax- Number</b>	013 986 0995
<b>Email- Address</b>	nkosio@thembisilehanilm.gov.za

# **Thembisile Hani Local Municipality**

## **Annual Financial Statements for the year ended 30 June 2015**

### **Index**

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The reports and statements set out below comprise the annual financial statements presented to the council:

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# **Thembisile Hani Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 47 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

  
31/08/15  
Mr. ON Nkosi  
Municipal Manager  
31 August 2015

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	2	7,591,532	1,341,651
Receivables from exchange transactions	3	5,688,992	3,586,704
Consumer debtors	4	13,383,060	10,611,914
Cash and cash equivalents	5	86,440,151	41,211,431
		<b>113,103,735</b>	<b>56,751,700</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	1,593,965,108	1,609,213,918
<b>Total Assets</b>		<b>1,707,068,843</b>	<b>1,665,965,618</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	7	90,590,339	52,353,203
VAT payable	8	12,516,383	7,786,292
Unspent conditional grants and receipts	9	57,091,035	89,747,800
Provisions	10	2,714,554	2,786,753
		<b>162,912,311</b>	<b>152,674,048</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	11	5,297,000	4,222,000
Provisions	10	18,994,717	16,636,137
		<b>24,291,717</b>	<b>20,858,137</b>
<b>Total Liabilities</b>		<b>187,204,028</b>	<b>173,532,185</b>
<b>NET ASSETS</b>		<b>1,519,864,815</b>	<b>1,492,433,433</b>
Accumulated surplus		1,519,864,815	1,492,433,433
<b>Total Net Assets</b>		<b>1,519,864,815</b>	<b>1,492,433,433</b>

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Statement of Financial Performance**

Figures in Rand	Note(s)	2015	2014 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest received (trading)		24,678,747	20,426,233
Interest received - investment		4,103,851	2,855,827
Rental of facilities and equipment		773,694	371,898
Service charges	12	54,746,585	53,160,807
<b>Total revenue from exchange transactions</b>		<b>84,302,877</b>	<b>76,814,765</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	13	47,380,152	18,019,174
<b>Transfer revenue</b>			
Fines		12,168,428	2,981,254
Government grants & subsidies	14	355,551,765	337,500,744
Other income	15	3,101,961	3,842,500
Licences and permits		4,494,152	5,151,422
Public contributions and donations	16	25,630,449	60,264,907
<b>Total revenue from non-exchange transactions</b>		<b>448,326,907</b>	<b>427,760,001</b>
<b>Total revenue</b>		<b>532,629,784</b>	<b>504,574,766</b>
<b>Expenditure</b>			
Employee related costs	17	(104,954,117)	(96,788,418)
Remuneration of councillors	18	(18,331,948)	(17,836,258)
Depreciation and amortisation	19	(105,172,730)	(130,784,648)
Impairment loss		(837)	-
Finance costs		(292,989)	-
Debt impairment	20	(88,279,610)	(153,254,941)
Bulk purchases	21	(100,248,907)	(110,836,819)
Repairs and maintenance		(1,478,104)	(7,630,575)
Grants and subsidies paid	22	(4,997,000)	(2,842,000)
General Expenses	23	(80,920,399)	(103,758,222)
<b>Total expenditure</b>		<b>(504,676,641)</b>	<b>(623,731,881)</b>
<b>Operating surplus (deficit)</b>	24	<b>27,953,143</b>	<b>(119,157,115)</b>
Loss on disposal of assets and liabilities		(593,958)	(32,944)
Decrease in leave and bonus provision		72,199	1,893,100
		<b>(521,759)</b>	<b>1,860,156</b>
<b>Surplus (deficit) for the year</b>		<b>27,431,384</b>	<b>(117,296,959)</b>



**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Statement of Changes in Net Assets**

Figures in Rand		Accumulated surplus	Total net assets
	Note		
Opening balance as previously reported		1,614,733,238	1,614,733,238
Adjustments			
Correction of error	36	(5,897,697)	(5,897,697)
<b>Balance at 01 July 2013 as restated</b>		<b>1,608,835,541</b>	<b>1,608,835,541</b>
Changes in net assets			
Correction of error	36	894,851	894,851
Net income (losses) recognised directly in net assets		894,851	894,851
Surplus for the year		(117,296,959)	(117,296,959)
Total recognised income and expenses for the year		(116,402,108)	(116,402,108)
Total changes		(116,402,108)	(116,402,108)
<b>Balance at 01 July 2014 Restated</b>		<b>1,492,433,431</b>	<b>1,492,433,431</b>
Changes in net assets			
Surplus for the year		27,431,384	27,431,384
Total changes		27,431,384	27,431,384
<b>Balance at 30 June 2015</b>		<b>1,519,864,815</b>	<b>1,519,864,815</b>

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Cash Flow Statement**

Figures in Rand	Note(s)	2015	2014
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxes		35,349,873	35,286,232
Sales of goods and services		39,101,206	64,922,486
Grants		322,895,000	337,500,744
Interest income		4,103,851	2,636,558
Other receipts		10,110,664	154,211,088
		<u>411,560,594</u>	<u>594,557,108</u>
<b>Payments</b>			
Employee costs		(122,572,960)	(114,624,676)
Suppliers		(152,763,356)	(319,073,839)
Finance costs		(292,989)	-
		<u>(275,629,305)</u>	<u>(433,698,515)</u>
<b>Net cash flows from operating activities</b>	25	<u>135,931,289</u>	<u>160,858,593</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(90,668,567)	(113,650,291)
Proceeds from sale of property, plant and equipment	6	(34,002)	1,502,598
<b>Net cash flows from investing activities</b>		<u>(90,702,569)</u>	<u>(112,147,693)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>45,228,720</u>	<u>38,022,179</u>
Cash and cash equivalents at the beginning of the year		41,211,431	3,189,252
<b>Cash and cash equivalents at the end of the year</b>	5	<u>86,440,151</u>	<u>41,211,431</u>

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	44,650,459	9,123,256	53,773,715	54,746,585	972,870	
Rental of facilities and equipment	135,318	399,087	534,405	773,694	239,289	
Interest received (trading)	21,240,000	2,128,673	23,368,673	24,678,747	1,310,074	
Income from agency services	5,800,000	-	5,800,000	-	(5,800,000)	
Licences and permits	202,713	92,313	295,026	-	(295,026)	
Interest received - investment	500,000	954,904	1,454,904	4,103,851	2,648,947	Note 36.1
<b>Total revenue from exchange transactions</b>	<b>72,528,490</b>	<b>12,698,233</b>	<b>85,226,723</b>	<b>84,302,877</b>	<b>(923,846)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	6,656,525	15,429,696	22,086,221	47,380,152	25,293,931	
<b>Transfer revenue</b>						
Other income	2,298,181	(19,320)	2,278,861	3,101,961	823,100	
Public contributions and donations	-	-	-	25,630,449	25,630,449	Note 36.2
Fines	476,927	461,975	938,902	12,168,428	11,229,526	
Government grants and subsidies	280,980,250	(1,280,753)	279,699,497	355,551,765	75,852,268	
Licence and permits	-	-	-	4,494,152	4,494,152	
<b>Total revenue from non-exchange transactions</b>	<b>290,411,883</b>	<b>14,591,598</b>	<b>305,003,481</b>	<b>448,326,907</b>	<b>143,323,426</b>	
<b>Total revenue</b>	<b>362,940,373</b>	<b>27,289,831</b>	<b>390,230,204</b>	<b>532,629,784</b>	<b>142,399,580</b>	
<b>Expenditure</b>						
Employee related costs	(101,035,795)	1,432,715	(99,603,080)	(104,954,117)	(5,351,037)	
Remuneration of councillors	(19,091,720)	737,631	(18,354,089)	(18,331,948)	22,141	
Depreciation and amortisation	(174,084,397)	130,434,397	(43,650,000)	(105,172,730)	(61,522,730)	
Impairment loss	-	-	-	(837)	(837)	
Finance costs	-	-	-	(292,989)	(292,989)	Note 36.4
Debt impairment	(55,997,200)	-	(55,997,200)	(88,279,610)	(32,282,410)	Note 36.3
Repairs and maintenance	-	-	-	(1,478,104)	(1,478,104)	
Bulk purchases	(100,000,000)	19,931,773	(80,068,227)	(100,248,907)	(20,180,680)	Note 36.5
Contracted Services	(6,300,000)	(1,828,782)	(8,128,782)	(4,997,000)	3,131,782	
Grants and subsidies paid	(20,100,544)	876,306	(19,224,238)	-	19,224,238	
General Expenses	(65,594,058)	1,793,369	(63,800,689)	(80,920,399)	(17,119,710)	
<b>Total expenditure</b>	<b>(542,203,714)</b>	<b>153,377,409</b>	<b>(388,826,305)</b>	<b>(504,676,641)</b>	<b>(115,850,336)</b>	
<b>Operating surplus</b>	<b>(179,263,341)</b>	<b>180,667,240</b>	<b>1,403,899</b>	<b>27,953,143</b>	<b>26,549,244</b>	
Loss on disposal of assets and liabilities	-	-	-	(593,958)	(593,958)	
Transfers recognised-capital	110,819,750	520,753	111,340,503	80,096,765	(31,243,738)	

## Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
Decrease in leave and bonus provision	-	-	-	72,199	72,199	
	110,819,750	520,753	111,340,503	79,575,006	(31,765,497)	
Deficit for the year	(68,443,591)	181,187,993	112,744,402	107,528,149	(5,216,253)	
Actual Amounts on Comparable Basis	(68,443,591)	181,187,993	112,744,402	107,528,149	(5,216,253)	

# **Thembisile Hani Local Municipality**

## **Annual Financial Statements for the year ended 30 June 2015**

### **Accounting Policies**

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#### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

##### **1.1 Presentation of currency**

These annual financial statements are presented to the nearest South African Rand.

##### **1.2 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

##### **1.3 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

###### **Trade receivables**

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

###### **Traffic fines - IGRAP 1**

The application of iGrap 1 requires estimations to be made on the probability of receipts for traffic fines. This is done using legislation, historical data and payment trends.

###### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

###### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

## **Accounting Policies**

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### **1.3 Significant judgements and sources of estimation uncertainty (continued)**

#### **Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### **Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

#### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### **Standards, amendments to standards and interpretations issued but not yet effective**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 20 Related Party Disclosures  
GRAP 32 Service Concession Arrangements: Grantor  
GRAP 105 Transfer of Function Between Entities Under Common Control  
GRAP 106 Transfer of Function Between Entities Not Under Common Control  
GRAP 107 Mergers  
GRAP 108 Statutory Receivables  
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.

The adoption of these standards will have no material impact on the Annual Financial Statements

The following GRAP standard has been approved but is not required to be applied:

GRAP 18 Segment Reporting.

### **1.4 Going concern**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### **1.5 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

## **Accounting Policies**

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### **1.5 Inventories (continued)**

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.6 Property, plant and equipment**

#### **Initial Recognition**

Property, plant and equipment is initially measured at cost.

#### **Subsequent Measurement.**

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
Land	Indefinite
Buildings	30

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

### 1.6 Property, plant and equipment (continued)

Infrastructure	
• Roads and Stormwater	20
• Reservoirs	20
• Electrical	25
• Water Reticulation	20
• Sewer	60
• Bulk Water Pipeline	60-100
• Sewage Pump Station	50
• Water Pump Station	50
• Stabilisation Ponds 2	25
• Waste Water Treatment Plant	20
• Borehole	20
• Telemetry System 5	5
Community	
• Buildings	30
• Recreational Facilities	30
• Halls	30
• Libraries	30
• Parks and Gardens	30
• Creche	30
• Abattoir	30
Other Assets	
• Plant and Equipment	5-10
• IT Equipment	3-5
• Office Equipment	3-7
• Furniture and Fittings	3-7
• Motor Vehicles	5

### 1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.8 Financial instruments

#### Initial recognition and measurement

Financial instruments are recognised when the municipality becomes a party to the contractual provisions of the relevant instrument, and are initially measured at fair value. Subsequent to initial recognition, these instruments are measured as set out below.

#### Receivables

Receivables are stated at amortised cost, which due to their short term nature, closely approximate their fair value.



# **Thembisile Hani Local Municipality**

## **Annual Financial Statements for the year ended 30 June 2015**

### **Accounting Policies**

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#### **1.8 Financial instruments (continued)**

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and deposits held on call and are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value

##### **Payables**

Payables are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

##### **Offsetting**

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

##### **Other receivables**

Other receivables consist of prepaid expenses and deposits relating to the provision of electricity and the leasing of the premises. These receivables are stated at amortised cost.

##### **Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

##### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

##### **Impairment and uncollectibility of financial assets**

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the recoverable will enter bankruptcy and default of payments are all considered indicators of impairment

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

## **Accounting Policies**

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### **1.8 Financial instruments (continued)**

#### **Derecognition**

##### **Financial assets**

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### **Financial liabilities**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — that is when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### **1.9 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

## **Accounting Policies**

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### **1.9 Leases (continued)**

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.10 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### **Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### **Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### **Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## **Accounting Policies**

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### **1.10 Impairment of cash-generating assets (continued)**

#### **Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

## **Accounting Policies**

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### **1.10 Impairment of cash-generating assets (continued)**

#### **Reversal of impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### **1.11 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating asset.

An asset is considered to be impaired when its recoverable service amount falls lower than its carrying value

### **1.12 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits (those payables within 12 months after the service is rendered, such as paid vacation leave and sick, bonuses, and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and is not discounted.

#### **Post-employment benefit obligations**

The municipality operates a defined contribution plan for its employees and is not liable for any actuarial loss sustained by the fund. Accordingly, no provision has been made for any such losses and contributions paid are expensed.

# **Thembisile Hani Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.12 Employee benefits (continued)**

Actuarial gains and losses are recognised immediately in the Statement of Financial Performance.

Past service costs are recognised immediately to the extent that the benefits are already vested.

The amount recognised in the Statement of Financial Position represents the present value of other long-term employee benefits as adjusted for the unrecognised past service costs and reduced by the fair value of plan assets.

### **Provision for employee benefits**

Provision for employee entitlement to annual leave represents the present obligation that the municipality has to pay as a result of employees' services provided to the reporting date. The provision has been calculated at undiscounted amounts based on salary rates effective on the reporting date.

### **1.13 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

### **1.14 Revenue from exchange transactions**

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **Accounting Policies**

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### **1.14 Revenue from exchange transactions (continued)**

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### **Interest**

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### **1.15 Revenue from non-exchange transactions**

#### **Donations and subsidy receipts**

Income from donations and subsidies is recognised as income on receipt.

### **1.16 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.17 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.18 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.19 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.20 Commitments**

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date;
- where disclosure is required by a specific standard of GRAP

# **Thembisile Hani Local Municipality**

## **Annual Financial Statements for the year ended 30 June 2015**

### **Accounting Policies**

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#### **1.21 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

#### **1.22 Value added tax (VAT)**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.



# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>2. Inventories</b>		
Consumable stores	573,066	1,027,011
Water	7,018,466	314,640
	<b>7,591,532</b>	<b>1,341,651</b>
<b>3. Receivables from exchange transactions</b>		
Other debtors	3,493,402	3,466,166
Traffic fines debtor	2,195,590	120,538
	<b>5,688,992</b>	<b>3,586,704</b>
<b>4. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	213,324,420	171,885,303
Water	151,982,418	125,097,265
Sewerage	5,963,533	4,624,891
Refuse	49,418,326	36,779,911
	<b>420,688,697</b>	<b>338,387,370</b>
<b>Less: Allowance for impairment</b>		
Rates	(206,538,632)	(163,785,362)
Water	(147,147,114)	(123,204,123)
Sewerage	(5,773,804)	(4,557,220)
Refuse	(47,846,087)	(36,228,751)
	<b>(407,305,637)</b>	<b>(327,775,456)</b>
<b>Net balance</b>		
Rates	6,785,788	8,099,941
Water	4,835,304	1,893,142
Sewerage	189,729	67,671
Refuse	1,572,239	551,160
	<b>13,383,060</b>	<b>10,611,914</b>
<b>Rates</b>		
Current (0 -30 days)	987,433	424,462
31 - 60 days	133,744	57,492
61 - 90 days	131,691	56,609
91 - 120 days	224,148	96,353
121 - 365 days	5,308,772	7,465,025
	<b>6,785,788</b>	<b>8,099,941</b>
<b>Water</b>		
Current (0 -30 days)	229,858	89,995
31 - 60 days	67,899	26,584
61 - 90 days	67,187	26,305
91 - 120 days	67,033	26,245
121 - 365 days	948,024	371,175
> 365 days	3,455,303	1,352,838
	<b>4,835,304</b>	<b>1,893,142</b>

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>4. Consumer debtors (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	3,936	1,404
31 - 60 days	3,892	1,388
61 - 90 days	3,867	1,379
91 - 120 days	3,858	1,376
121 - 365 days	61,995	22,112
> 365 days	112,181	40,012
	<b>189,729</b>	<b>67,671</b>
<b>Refuse</b>		
Current (0 -30 days)	73,900	25,906
31 - 60 days	32,785	11,493
61 - 90 days	32,677	11,455
91 - 120 days	32,621	11,436
121 - 365 days	496,864	174,179
> 365 days	903,392	316,691
	<b>1,572,239</b>	<b>551,160</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(327,775,456)	(177,037,567)
Contributions to allowance	(79,530,181)	(150,737,889)
	<b>(407,305,637)</b>	<b>(327,775,456)</b>

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
<b>4. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	20,112,507	25,989,403
31 - 60 days	14,082,308	4,419,819
61 - 90 days	6,865,984	4,542,566
91 - 120 days	6,700,053	4,500,432
121 - 365 days	52,307,729	34,062,060
> 365 days	288,234,554	206,284,660
	<b>388,303,135</b>	<b>279,798,940</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	76,445	2,745,046
31 - 60 days	419,647	178,025
61 - 90 days	386,219	181,060
91 - 120 days	382,505	178,723
121 - 365 days	2,974,837	1,346,342
> 365 days	13,155,098	7,289,700
	<b>17,394,751</b>	<b>11,918,896</b>
<b>National and provincial government</b>		
Current (0 -30 days)	135,399	597,084
31 - 60 days	8,057,407	57,116
61 - 90 days	498,155	57,070
91 - 120 days	434,302	52,036
121 - 365 days	3,772,488	376,129
> 365 days	2,093,314	1,628,462
	<b>14,991,065</b>	<b>2,767,897</b>
<b>Total</b>		
Current (0 -30 days)	20,324,351	29,331,533
31 - 60 days	22,559,362	4,654,960
61 - 90 days	7,750,358	4,780,696
91 - 120 days	7,516,860	4,731,191
121 - 365 days	59,055,054	35,784,531
> 365 days	303,483,012	259,104,458
	<b>420,688,997</b>	<b>338,387,369</b>
	<b>(407,305,937)</b>	<b>(327,775,455)</b>
Less: Allowance for impairment	<b>13,383,060</b>	<b>10,611,914</b>
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	5,000	5,000
Bank balances	36,242,573	41,023,395
Short-term deposits	50,192,578	183,036
	<b>86,440,151</b>	<b>41,211,431</b>

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
First National Bank - Current Account - 620-262-96427	8,535,049	8,436,839		8,533,386	8,436,839	
First National Bank - Call Deposit - 621-470-52427	30,000,000	183,036		30,192,578	183,036	
Capitec Bank - Current Account - 117-301-4177	-	165,200		165,200	165,200	
Nedbank - Current Account - 100-422-2378 - Main Account	27,467,051	32,421,355	-	27,606,803	32,421,355	-
Nedbank Call deposit- 7881527927	20,000,000	-		20,000,000	-	
<b>Total</b>	<b>86,002,100</b>	<b>41,206,430</b>		<b>86,497,967</b>	<b>41,206,430</b>	

### 6. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & Buildings	164,857,655	(42,005,454)	122,852,201	164,857,655	(39,463,876)	125,393,779
Plant and machinery	52,949,878	(31,603,467)	21,346,411	52,769,469	(24,550,178)	28,219,291
Furniture and fixtures	5,415,436	(3,856,621)	1,558,815	5,409,367	(3,523,243)	1,886,124
Motor vehicles	22,120,211	(18,041,232)	4,078,979	22,120,211	(16,883,112)	5,237,099
Office equipment	548,444	(537,671)	10,773	549,142	(533,427)	15,715
IT equipment	4,382,409	(3,270,042)	1,112,367	4,415,838	(2,632,709)	1,783,129
Infrastructure	2,159,614,252	(990,572,826)	1,169,041,426	2,121,736,405	(905,991,017)	1,215,745,388
Community	359,067,247	(186,970,345)	172,096,902	355,006,173	(178,510,086)	176,496,087
Assets Under Construction	101,867,234	-	101,867,234	54,437,306	-	54,437,306
<b>Total</b>	<b>2,870,822,766</b>	<b>(1,276,857,658)</b>	<b>1,593,965,108</b>	<b>2,781,301,566</b>	<b>(1,172,087,648)</b>	<b>1,609,213,918</b>

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand

**6. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 30 June 2015**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land & Buildings	125,393,779	-	-	-	(2,540,740)	(838)	122,852,201
Plant and machinery	28,219,291	165,000	(1,531)	-	(7,036,349)	-	21,346,411
Furniture and fixtures	1,886,124	33,996	(6,743)	-	(354,562)	-	1,558,815
Motor vehicles	5,237,099	-	-	-	(1,158,120)	-	4,078,979
Office equipment	15,715	-	(146)	-	(4,796)	-	10,773
IT equipment	1,783,129	68,833	(26,467)	-	(713,128)	-	1,112,367
Infrastructure	1,215,745,388	21,360,178	(525,069)	17,549,557	(85,088,628)	-	1,169,041,426
Community	176,496,087	4,061,075	-	-	(8,460,260)	-	172,096,902
Assets Under Construction	54,437,306	64,979,485	-	(17,549,557)	-	-	101,867,234
	<b>1,609,213,918</b>	<b>90,668,567</b>	<b>(559,956)</b>	<b>-</b>	<b>(105,356,583)</b>	<b>(838)</b>	<b>1,593,965,108</b>

**Reconciliation of property, plant and equipment - 30 June 2014**

	Opening balance	Additions	Disposals	Transfers	Correction of error	Depreciation	Total
Land & Buildings	128,059,932	-	-	-	147,262	(2,813,415)	125,393,779
Plant and machinery	26,266,693	12,855,940	-	-	-	(10,903,342)	28,219,291
Furniture and fixtures	2,387,152	152,226	-	-	11,316	(664,570)	1,886,124
Motor vehicles	5,388,298	1,586,284	-	-	-	(1,737,483)	5,237,099
Office equipment	42,117	-	-	-	-	(26,402)	15,715
IT equipment	2,013,945	559,272	(32,937)	-	1,042	(758,193)	1,783,129
Infrastructure	1,218,719,674	77,527,777	(1,502,605)	12,959,846	13,295,685	(105,254,989)	1,215,745,388
Community	184,262,341	-	-	-	803,695	(8,569,949)	176,496,087
Assets Under Construction	55,057,792	20,968,792	-	(12,959,846)	(8,629,432)	-	54,437,306
	<b>1,622,197,944</b>	<b>113,650,291</b>	<b>(1,535,542)</b>	<b>-</b>	<b>5,629,568</b>	<b>(130,728,343)</b>	<b>1,609,213,918</b>

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
<b>7. Payables from exchange transactions</b>		
Retentions	10,010,916	11,966,609
Payments received in advance	6,017,843	2,703,255
Other Creditors	4,143,375	4,780,718
Accrued leave pay	8,781,712	3,495,308
Accrued Expenses	60,638,120	28,565,564
Other deposits	192,110	162,435
Trade Creditors	806,263	679,314
	<b>90,590,339</b>	<b>52,353,203</b>

**8. VAT payable**

Tax refunds payables	12,516,383	7,786,292
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VAT is declared on the payments basis. Once payment is received from debtors and payments made to creditors, VAT is declared to SARS.

**9. Unspent conditional grants and receipts**

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant (MIG)	57,091,035	88,987,981
Integrated National Electrification Grant	-	759,819
	<b>57,091,035</b>	<b>89,747,800</b>

See note 15 for reconciliation of grants from National/Provincial Government.

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 10. Provisions

#### Reconciliation of provisions - 30 June 2015

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	16,636,137	2,358,580	-	18,994,717
Provision for Bonuses	2,786,753	-	(72,199)	2,714,554
	<b>19,422,890</b>	<b>2,358,580</b>	<b>(72,199)</b>	<b>21,709,271</b>

#### Reconciliation of provisions - 30 June 2014

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	14,713,098	1,923,039	-	16,636,137
Provision for Bonuses	3,125,125	-	(338,372)	2,786,753
	<b>17,838,223</b>	<b>1,923,039</b>	<b>(338,372)</b>	<b>19,422,890</b>

Non-current liabilities	18,994,717	16,636,137
Current liabilities	2,714,554	2,786,753
	<b>21,709,271</b>	<b>19,422,890</b>

The municipality raises a provision for 13th cheque bonuses that staff members receive during their birthday month. The provision is based on the most recent effective salary notches of individual employees.

The municipality has two dumping sites, one in Kwaggafontein which is 3,5 hectares and the other one in KwaMhlanga which is 5,4 hectares. The remaining useful lives of these dumping sites are 7 years and 8 years respectively. Each year the dumping sites remaining useful lives are assessed and the provision is adjusted accordingly.

The Operational and Maintenance costs of the landfill sites were conducted independently by Aurecon.

### 11. Employee benefit obligations

#### Long service bonus award

The municipality's long service bonus awards consists of an obligation to pay out a bonus in the year of the employee attaining the required service. This obligation represents a liability to the municipality and the value is represented by the present value of the total long service bonus awards expected to become payable under the municipality's current policy.

The municipality offers bonuses for every 5 years of completed service from 10 years to 45 years.

The amounts recognised in the statement of financial position are as follows:

<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(5,297,000)	(4,222,000)

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2015 by Gershem Holding. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

#### Net expense recognised in the statement of financial performance

Current service cost	772,000	792,000
Interest cost	361,000	233,000
Actuarial (gains) losses	(14,000)	(7,000)
	<b>1,119,000</b>	<b>1,018,000</b>

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
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**11. Employee benefit obligations (continued)**

**Key assumptions used**

Assumptions used at the reporting date:

Duration of liability (years)	10.00	10.97
Normal retirement age	63	63
Discount rates used	8.51 %	8.60 %
Inflation rates used	6.25 %	6.36 %
Expected increase in salaries	7.25 %	7.36 %

**Sensitivity analysis**

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 1.15% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	One percenta ge point increase	One percenta ge point decrease
Accrued liability	5,831,000	4,830,000
Expense cost	1,438,000	1,159,000

The above table illustrates that for the 30 June 2015 financial year, a 1% increase in the salary cost inflation assumption will result in roughly a 10.0% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 8.8% decrease in the accrued liability.

**12. Service charges**

Sale of water	41,960,975	35,006,390
Refuse removal	12,785,610	18,154,417
	<b>54,746,585</b>	<b>53,160,807</b>

**13. Property rates**

**Rates received**

Residential	47,380,152	18,019,174
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**Valuations**

Residential	6,879,105,479	11,227,274,237
Commercial	163,487,015	589,152,378
State	3,960,000	-
Municipal	97,959,660	18,677,422
Agricultural	1,765,238,000	2,011,155,680
Schools	255,000,500	1,690,000
Parks	24,739,700	64,945,042
	<b>9,189,490,354</b>	<b>13,912,894,759</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.



# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>14. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	259,164,000	237,008,000
	<u>259,164,000</u>	<u>237,008,000</u>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	79,336,946	88,132,019
Financial Management Grant (FMG)	1,600,000	1,550,000
Integrated National Electrification Grant (INEG)	759,819	2,078,725
Municipal Systems Infrastructure Grant (MSIG)	934,000	890,000
EPWP	3,757,000	2,842,000
Water Subsidy	10,000,000	5,000,000
	<u>96,387,765</u>	<u>100,492,744</u>
	<b>355,551,765</b>	<b>337,500,744</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>MIG</b>		
Balance unspent at beginning of year	88,987,981	88,987,981
Current-year receipts	47,440,000	177,120,000
Conditions met - transferred to revenue	(79,336,946)	(88,132,019)
	<u>57,091,035</u>	<u>88,987,981</u>
Conditions still to be met - remain liabilities (see note 9).		
<b>FMG</b>		
Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,600,000)	(1,550,000)
	<u>-</u>	<u>-</u>
<b>Integrated National Electrification Grant</b>		
Balance unspent at beginning of year	759,819	2,838,544
Conditions met - transferred to revenue	(759,819)	(2,078,725)
	<u>-</u>	<u>759,819</u>
Conditions still to be met - remain liabilities (see note 9).		
<b>MSIG</b>		
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	<u>-</u>	<u>-</u>
<b>EPWP</b>		
Current-year receipts	3,757,000	2,842,000
Conditions met - transferred to revenue	(3,757,000)	(2,842,000)
	<u>-</u>	<u>-</u>

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>14. Government grants and subsidies (continued)</b>		
<b>Water subsidy</b>		
Current-year receipts	10,000,000	5,000,000
Conditions met - transferred to revenue	(10,000,000)	(5,000,000)
	-	-
<b>15. Other income</b>		
Sundry Income	3,101,961	3,842,500
<b>16. Public contributions and donations</b>		
Donations received	25,630,449	60,264,907
Donations by way of assets were received from National Treasury, Department of Environmental affairs and municipal staff.		

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>17. Employee related costs</b>		
Basic	68,713,793	66,216,253
Bonus	5,305,989	4,986,352
Medical aid - company contributions	4,921,174	3,991,760
UIF	599,952	623,473
WCA	1,949,977	-
SDL	775,745	773,714
SALGBC	33,091	29,738
Leave pay provision charge	5,571,423	-
Cellphone Allowance	445,230	164,131
Pension contributions	12,697,194	12,266,982
Travel, motor car, accommodation, subsistence and other allowances	2,255,011	2,441,555
Overtime payments	124,555	3,218,485
Provision for long-service awards	1,075,000	990,000
Acting allowances	401,917	999,878
Housing benefits and allowances	84,066	86,097
	<b>104,954,117</b>	<b>96,788,418</b>

### Remuneration of Municipal Manager- Mr J Sindane 01 July 2014-28 February 2015

Annual Remuneration	770,880	1,183,367
Car Allowance	120,000	180,000
Contributions to UIF, Medical and Pension Funds	2,677	3,636
Subsistence and travel allowance	39,921	85,940
	<b>933,478</b>	<b>1,452,943</b>

### Remuneration of Municipal Manager- Mr ON Nkosi 01 March 2015 -30 June2015

Annual Remuneration	289,080	-
Car Allowance	45,000	-
Contributions to UIF, Medical and Pension Funds	892	-
Subsistence and travel allowance	39,921	-
	<b>374,893</b>	<b>-</b>

### Remuneration of Chief Financial Officer- Ms LS Sehlako 02 July 2014 - 30 September 2014

Annual Remuneration	174,079	891,066
Car Allowance	25,000	-
Contributions to UIF, Medical and Pension Funds	45,370	37,880
Subsistence and travel allowance	-	30,495
	<b>244,449</b>	<b>959,441</b>

### Remuneration of Chief Financial Officer-Mr OD Ledwaba 01 October 2014-14 March 2015

Annual Remuneration	137,851	-
Car Allowance	20,000	-
Contributions to UIF, Medical and Pension Funds	38,614	-
	<b>196,465</b>	<b>-</b>

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
<b>17. Employee related costs (continued)</b>		
<b>Remuneration of Chief Financial Officer - Ms MS Makgaba 15 March 2015- 30 June 2015</b>		
Annual Remuneration	262,878	-
Car Allowance	195,000	-
Backpay	648,297	-
Contributions to UIF, Medical and Pension Funds	39,595	-
Subsistence and travel allowance	6,558	-
	<b>1,152,328</b>	<b>-</b>
<b>Remuneration of Corporate Services Manager -Mr P.Mabuza</b>		
Annual Remuneration	635,199	716,618
Car Allowance	180,000	180,000
Contributions to UIF, Medical and Pension Funds	201,003	67,399
Subsistence and travel allowance	-	5,460
	<b>1,016,202</b>	<b>969,477</b>
<b>Remuneration of Social Services Manager -Mr T. Kubheka</b>		
Annual Remuneration	673,930	672,354
Car Allowance	144,000	144,000
Contributions to UIF, Medical and Pension Funds	194,333	57,955
Subsistence and travel allowance	-	21,020
	<b>1,012,263</b>	<b>895,329</b>
<b>Remuneration of Technical Services Manager- Mr AS Ntuli</b>		
Annual Remuneration	714,804	694,362
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	110,669	33,380
Subsistence and travel allowance	26,624	32,664
	<b>972,097</b>	<b>880,406</b>
<b>18. Remuneration of councillors</b>		
Executive Mayor	718,495	630,128
Chief Whip	574,796	331,813
Speaker	538,872	357,297
Councillors	16,499,785	16,517,020
	<b>18,331,948</b>	<b>17,836,258</b>
<b>In-kind benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
<b>19. Depreciation and amortisation</b>		
Property, plant and equipment	105,172,730	130,784,648

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>20. Debt impairment</b>		
Contributions to traffic fine debt impairment provision	8,749,429	2,517,053
Contributions to consumer debt impairment provision	79,530,181	150,737,888
	<b>88,279,610</b>	<b>153,254,941</b>
<b>21. Bulk purchases</b>		
Water	100,248,907	110,836,819
<b>22. Grants and subsidies paid</b>		
Grant expenditure (EPWP)	4,997,000	2,842,000
<b>23. General expenses</b>		
Auditors remuneration	4,256,897	3,318,155
Advertising	214,295	434,234
Bank charges	152,989	171,663
Provision for landfill site expense	2,358,579	1,923,040
Consulting and professional fees	2,963,199	3,868,259
Consumables	1,016,444	5,850,563
Discount allowed	790,100	-
Entertainment	300	23,287
Material and supplies	69,230	-
Plant and machinery	132	-
Insurance	1,364,759	887,930
Feasibility study	-	2,501,397
IT expenses	59,273	944,308
IDP process	-	142,640
Lease rentals on operating lease	768,939	1,275,552
Legal costs	3,308,306	3,586,473
Motor vehicle expenses	1,207,658	5,890,597
VAT recoverable expenses	4,041,484	5,734,915
Valuation roll	763,211	3,419,298
Fuel and oil	3,545,331	8,118,355
Catering	-	356,027
Postage and courier	8,216	79,918
Printing and stationery	660,182	1,586,042
Other Expenses	2,426,790	3,946,591
Sample testing	483,834	513,971
Security (Guarding of municipal property)	10,543,933	10,084,751
Software expenses	1,504,612	827,692
Subscriptions and membership fees	448,747	797,508
Telephone and fax	1,426,872	2,773,030
Training	1,152,426	805,213
Travel - local	387,829	2,396,691
Basic sanitation charge	-	116,563
Electricity	5,628,283	4,412,700
Uniforms	-	246,899
Ward committee expenditure	3,966,000	3,270,400
Free basic electricity	3,049,253	3,297,937
Waste water treatment works	8,529,662	5,000,000
Community workers programme	-	2,595,205
Cemeteries	-	1,006,528
Free basic water	13,822,634	11,553,890
	<b>80,920,399</b>	<b>103,758,222</b>

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
<b>24. Operating surplus (deficit)</b>		
Operating surplus (deficit) for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Equipment		
• Contractual amounts	768,939	1,275,552
Loss on sale of property, plant and equipment	(593,958)	(32,944)
Impairment on property, plant and equipment	837	-
Depreciation on property, plant and equipment	105,172,730	130,784,648
Employee costs	123,286,065	114,624,676
<b>25. Cash generated from operations</b>		
Surplus (deficit)	27,431,384	(117,296,959)
<b>Adjustments for:</b>		
Depreciation and amortisation	105,172,730	130,784,648
Loss on sale of Assets	593,958	32,944
Movement in leave and bonus provision	(72,199)	-
Impairment deficit	837	-
Debt impairment	88,279,610	153,254,941
Movements in retirement benefit assets and liabilities	1,075,000	990,000
Movements in other provisions	2,358,580	1,584,667
Loss on PPE	183,853	-
<b>Changes in working capital:</b>		
Inventories	(6,249,881)	3,605,295
Receivables from exchange transactions	(2,102,288)	(109,938)
Consumer debtors	(91,050,756)	(94,928,947)
Payables from exchange transactions	38,237,136	(13,320,205)
VAT	4,730,091	9,352,891
Unspent conditional grants and receipts	(32,656,765)	86,909,256
	<b>135,931,290</b>	<b>160,858,593</b>
<b>26. Fruitless and wasteful expenditure</b>		
Opening balance	92,367	-
Fruitless and wasteful expenditure	2,290,529	92,367
Less: Amounts condoned by council	(2,382,896)	-
	<b>-</b>	<b>92,367</b>
<b>27. Unauthorised expenditure</b>		
Unauthorised expenditure	115,850,336	39,434,294
<b>28. Irregular expenditure</b>		
Opening balance	156,749	4,726,595
Add: Irregular Expenditure - current year	1,038,739	679,613
Less: Amounts condoned	(1,038,739)	(5,249,459)
	<b>156,749</b>	<b>156,749</b>

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 29. Financial instruments disclosure

#### Categories of financial instruments

#### 2015

##### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	5,688,992	5,688,992
Consumer debtors	-	13,383,060	13,383,060
Cash and cash equivalents	86,437,076	-	86,437,076
	<b>86,437,076</b>	<b>19,072,052</b>	<b>105,509,128</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	90,590,337	90,590,337

#### 2014

##### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	3,617,095	3,617,095
Consumer debtors	-	4,348,474	4,348,474
Cash and cash equivalents	41,211,431	-	41,211,431
	<b>41,211,431</b>	<b>7,965,569</b>	<b>49,177,000</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	52,119,059	52,119,059

### 30. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	61,975,569	12,609,908
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# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 31. Contingencies

#### THLM vs Lawmark Consulting cc. Case No: 70121/11

Joint Venture between Lawmark and Casnans is suing the municipality for the termination of contract. The amount being claimed is R1.2 million

#### THLM vs Piet Chilli

Mr. Chili has issued a summons against the Municipality claiming among others loss of income as a result of alleged breach of contract on the part of the municipality to the amount of R38 204

#### THLM vs Johannah Ntuli

Johannah Ntuli is claiming R1 550 000 for damages as a result of negligence of the municipality.

#### THLM vs Makadi Dantla Trading & Projects

Makadi Dantla Trading alleges that municipality is indebted to Makadi Dantla for an amount in a sum of R360 371.00 which monies are due and payable as a result of cemetery fencing services rendered by Makadi Dantla on behalf of municipality.

#### THLM vs Lamola Incorporated

A letter of demand for the amount of R2 402 070 was given to the municipality by Lamola Incorporated.

### 32. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

### 33. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Current year subscription / fee	4,526,897	3,315,779
Amount paid - current year	(4,526,897)	(3,315,779)
	-	-

#### PAYE and UIF

Current year subscription / fee	11,749,526	12,526,974
Amount paid - current year	(11,749,526)	(12,526,974)
	-	-



**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
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**33. Additional disclosure in terms of Municipal Finance Management Act (continued)**

**Pension and Medical Aid Deductions**

Current year subscription / fee	19,450,059	21,995,136
Amount paid - current year	(19,450,059)	(21,995,136)
	-	-

**VAT**

VAT payable	12,516,383	7,786,292
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014	
33. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:			
30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dhlangalala Hereminah Nomakhuwa	-	1,460	1,460
Danisa Muziwakhile	-	1,427	1,427
Huma Tabeah Leah	-	675	675
Jiyane Koos Vusi	-	2,085	2,085
Khumalo Aaron Bhinga	-	896	896
Hlungwani Sarah Malebo	-	16,850	16,850
Komane Moloi Gibson	-	2,018	2,018
Mahlangu Amos	-	8,159	8,159
Mahlangu Johannes Buti	-	1,442	1,442
Mahlangu Jerry Thili	-	6,796	6,796
Mahlangu Bellinah Thobile	-	8,110	8,110
Lukele David Vulani	-	14,040	14,040
Madonsela Malasi Josiah	-	4,132	4,132
Masango Seisiwe Jack	-	128	128
Mahlangu Solomon Linda	-	1,780	1,780
Malefo Nimrod Boitumelo	-	1,245	1,245
Mahlangu Ndaweni Johannes	-	2,535	2,535
Mahlangu Zelani Nelly	-	3,814	3,814
Masango Thandi Esther	-	1,722	1,722
Mlambo Maria	-	453	453
Mashiya Joseph Fanie	-	11,183	11,183
Mnguni Maria Qhubeni	-	133	133
Mnamatheli Samuel Zwelabo	-	2,784	2,784
Mboweni Linda Modiegi	-	2,950	2,950
Masuku Marry Jane	-	2,035	2,035
Mashinini Thabisile Elsie	-	9,078	9,078
Mnguni Zenaye Jantjie	-	11,434	11,434
Masombuka Bafana Phillip	-	6,332	6,332
Masombuka John Msebenzi	-	4,746	4,746
Motena Mitopi Andries	-	24	24
Mohlamonyane Raisibe Hellen	-	229	229
Mnisi Sgaule Timothy	-	1,388	1,388
Msibi Daisy Mamanyana	-	2,115	2,115
Motau Aaron Samson	-	5,494	5,494
Moseri Phineas Pule	-	16,582	16,582
Mohoaduba Andrew Mduduzi	-	2,720	2,720
Msiza Poppy Maria	-	2,194	2,194
Mosena Mapuse Christina	-	693	693
Mnyakeni Boisana solomon	-	2,094	2,094
Skosana Badanile Johanna	-	4,090	4,090
Sepogoane Moses Mmoisetsie	-	3,954	3,954
Mtsweni S.P	-	2,523	2,523
Sikosana Mzwandile Obed	-	34	34
Ntuli Jan samuel	-	1,711	1,711
Nkabinde Moses Michael	-	447	447
Mthombeni Thandi Winnie	-	20,327	20,327
Zabane Canelia dudu	-	6,931	6,931
Nobela Maria Truddy	-	3,170	3,170
Tau Joyce Johannah	-	1,310	1,310
Tshabangu Lillian Martha	-	1,781	1,781
Mtsweni Rubber Qaliwe	-	2,520	2,520

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014	
<b>33. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>			
Zondi Stanely Thabang	-	27	
Shabalala Mandla Cyrel	-	9,101	
	<b>-</b>	<b>221,901</b>	
		<b>221,901</b>	
30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahlangu Amos	136	8,065	8,201
Mtsweni Phillip Mcithwa	137	632	769
Huma Tabeah Leah	102	1,539	1,641
Motana Mitopi Andries	-	304	304
Skosana Bandile Johanna	126	5,592	5,718
Jiyane Koos Vusi	-	1,124	1,124
Mahlangu Johannes Buti	-	846	846
Mohlamonyane Raisibe Hellen	-	685	685
Mlambo Maria	-	804	804
Mashiya Joseph Fanie	242	9,522	9,764
Mnisi Sgaule Timothy	9	948	957
Sepogoane Moses Mmoisetsie	120	3,236	3,356
Khumalo Aaron Bhinga	-	1,068	1,068
Mhlangi Jerry Thili	125	6,215	6,340
Mtsweni S.P	89	1,582	1,671
Buda H.N	99	1,251	1,350
Msibi Daisy Mamanyana	88	1,300	1,388
Mnguni Maria Qhubeni	-	570	570
Sikosana Mzwandile Obed	-	824	824
Masango Seisiwe Jack	94	1,934	2,028
Mahlangu Solomon Linda	137	7,172	7,309
Malefo Nimrod Boitumelo	90	1,475	1,565
Ntuli Jan Samuel	89	1,586	1,675
Motau Aaron Samson	184	7,113	7,297
Mahlangu Bellinah Thobile	240	11,577	11,817
Mtsweni June Lindeni	55	8	63
Dube Shellboy Senzeni	108	797	905
Kabine Hendrick Martin	185	5,748	5,933
Nkabinde Moses Michael	90	940	1,030
Mnamatheli Samuel Zwelabo	19	1,796	1,815
Lukele David Vulani	240	14,775	15,015
Hlungwani Sarah Malebo	332	14,732	15,064
Mahlangu Ndaweni Johannes	4	4,102	4,106
Nthombeni Thandi Winnie	333	20,096	20,429
Zabane Canelia Dudu	126	6,404	6,530
Nobela Maria Truddy	121	4,645	4,766
Tau Joyce Johannah	-	1,412	1,412
Msiza Marcia	-	1,706	1,706
Tshabangu Lillian Martha	115	1,402	1,517
Mboweni Linda Modiegi	92	1,675	1,767
Dhlangalala Hereminah Nomakhuwa	92	1,675	1,767
Motanyane Thokozile Egnos	159	282	441
Kabini Sam Ququza	141	7,997	8,138
Masuku Marry Jane	89	1,130	1,219
Moseri Phineas Pule	403	18,968	19,371
Mashinini Thabisile Elsie	140	8,932	9,072
Mohoadube Andrew Mduduzi	113	1,748	1,861
Sibanyoni Bethuel	454	20,117	20,571
Danisa Muziwakhile	-	756	756
Mahlangu Zelani Nelly	186	4,755	4,941
Mtsweni Rubber Qaliwe	88	1,090	1,178

# Thembisile Hani Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand		2015	2014
<b>33. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>			
Mnguni Zenaye Jantjie	140	8,826	8,966
Komane Moloi Gibson	140	8,826	8,966
Madonsela Malasi Josiah	124	5,700	5,824
Masombuka Bafana Philip	139	11,438	11,577
Masango Thandi Esther	37	1,195	1,232
Myakeni Boisana Solomon	32	855	887
Zondi Stanely Thabang	-	540	540
Masombuka John Msebenzi	295	5,658	5,953
Shabalala Mandla Cyrel	268	11,046	11,314
Msiza Poppy Maria	11	242	253
	<b>6,978</b>	<b>278,978</b>	<b>285,956</b>

### 34. Related parties

There were no related party transactions during the financial year.

### 35. Prior period errors

During the prior years Consumers were understated, this has been corrected.

During the prior year, the VAT was not declared by the system to the amount of R1 875 828.

During the prior year, output VAT to the amount of R293 996.69 was incorrectly declared.

The creditors to the amount of R201 687.64 were erroneously raised due to incorrect orders, this has been corrected.

In 2010 the debtors were erroneously written off, this has been corrected.

Property, Plant and Equipment had few errors occurred in 2012/2013 and 2013/2014 financial years. These included completed projects which were sitting in Assets under construction, components which were derecognised and capital expenditure which was sitting under Repairs and Maintenance. The adjustment has been made to correct the prior year balance of Property, Plant and Equipment.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment	-	5,629,570
Receivables from exchange transactions	-	(30,391)
Payables from exchange transactions	-	(234,146)
VAT	-	(1,581,831)
Accumulated Surplus	-	(10,046,642)
Consumer debtors	-	6,263,440

#### Statement of Financial Performance

Service charges	-	(1,425,316)
Property rates	-	(4,832,179)
Depreciation	-	56,307
Interest received	-	(219,269)
Fines	-	(42,204)
Other income	-	626
Licenses and permits	-	1,875,202
Employee related costs	-	(8,770)
Debt impairment	-	6,069,770
Repairs and maintenance	-	(11,927,508)
General expenses	-	(4,596,147)

**Thembisile Hani Local Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand	2015	2014
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**36. Budget differences**

**Material differences between budget and actual amounts**

The variance of actual expenditure over or under the final budget by 10% is considered to be a material variance.  
1. Interest received - Investment - more cash in reserve, invested in a short term basis..

2. Public contributions and donations - received assets from Nkangala District..

3. Debt impairment - Corrected billing raised increased debts.

4. Finance charges - Late payment of creditors..

5. Bulk purchases - Adjusted due to first 6 months spending.

Name of Municipality  
**APPENDIX C**  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
as at 30 June 2015

	Cost / Revaluation					as at 30 June 2015					Accumulated Depreciation				
			Under Constructio n	Derecognit	Closing Balance	Opening Balance	Additions	Derecogn Disposals	Annual impairmen t	Closing Balance	Carrying value				
	Opening Balance	Additions													
Executive & Council	170 463 087	-	-	-	170 463 087	39 463 876	2 540 741	-	-837	42 005 454	128 455 959				
Finance & Admin	-	-	-	-	-	-	-	-	-	-	-				
Planning & Development	-	-	-	-	-	-	-	-	-	-	-				
Health	-	-	-	-	-	-	-	-	-	-	-				
Community & Social Services	73 629 224	194 595	-	-	73 823 819	33 492 366	2 295 259	-	-	35 787 625	38 036 194				
Public Safety	286 923 168	3 866 480	-	-	290 789 648	145 117 307	6 283 886	-	-	151 401 192	139 388 456				
Sport & Recreation	-	-	-	-	-	-	-	-	-	-	-				
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-				
Waste Management	-	-	-	-	-	-	-	-	-	-	-				
Road Transport	1 247 007 090	21 282 540	-	-106 996	1 268 182 635	398 555 458	60 046 913	-69 554	-	458 532 817	809 649 817				
Water & Sanitation	863 577 663	17 549 557	-	-924 893	880 202 327	507 273 445	24 879 602	-437 265	-	531 715 783	348 486 543				
Electricity	-	-	-	-	-	-	-	-	-	-	-				
Total	2 641 600 232.27	42 893 171.81	-	-1 031 888.32	2 683 461 515.76	1 123 902 452.07	96 046 401.63	-506 819.07	-837.13	1 219 441 198	1 464 018 644.00				

**Thembisile Hani Local Municipality**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2015

2015		2015		2014		2014	
Actual Revenue	Actual Expenditure	Surplus / (Deficit)		Actual Revenue	Actual Expenditure	Surplus / (Deficit)	
R'000	R'000	R'000		R'000	R'000	R'000	
			Executive & Council				
362 549 896	247 401 361	(247 401 361)	Finance & Admin	-	323 156 469	(323 156 469)	
79 518 143	44 215 481	318 334 415	Planning & Development	338 986 598	64 551 698	274 434 900	
-	22 988 763	56 529 380	Health	98 744 152	28 912 248	69 831 904	
1 819 073	34 839 576	(33 020 503)	Community & Social Services	4 337 689	38 903 209	(34 565 520)	
-	5 072 747	(5 072 747)	Public Safety	-	-	-	
-	-	-	Sport & Recreation	-	-	-	
-	-	-	Environmental Protection	-	-	-	
16 776 817	8 236 905	8 539 912	Waste Management	17 926 463	8 726 996	9 199 467	
55 538 013	139 722 871	(83 184 858)	Road Transport	39 751 059	166 161 215	(126 410 116)	
-	3 292 040	(3 292 040)	Water	2 078 725	3 759 338	(1 680 613)	
-	-	-	Electricity	-	-	-	
-	-	-	Other	-	-	-	
516 201 942	504 769 743	11 432 198		501 824 726	634 171 173	(132 346 447)	
			Less: Inter-Department Charges				
516 201 942	504 769 743	11 432 198	Total	501 824 726	634 171 173	(132 346 447)	

Thembisile Hani Local Municipality

APPENDIX E

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 2015

Description	Original Budget 1	Budget Adjustments (S.O. #28 & #31 Of The MFMA)	Virement (I.O. Council Approved By- law)	Final Budget 4	Actual Income 5	Unauthorised Expenditure 6	Variance 7	Actual Income As % Of Final Budget 8	Actual Outcome As % Of Original Budget 9	Reasons for variance 10
	R	R	R	R	R	R	R	R	R	
<b>Financial Performance</b>										
Property Rates	6 656 625	15 429 696	-	22 086 221	47 380 152	-	25 293 931	215%	712%	Refer to corr of error note 5
Service Charges	44 650 456	9 123 556	-	53 773 716	55 256 816	-	2 463 102	105%	126%	Refer to corr of error note 5
Investment Revenue	500 000	954 904	-	1 454 904	4 103 851	-	2 648 947	282%	821%	More cash in reserve, invested in a short term basis
Transfers Recognised - Operational	280 890 250	-1 280 753	-	279 609 497	275 455 000	-	-4 244 497	98%	98%	N/A
Other Own Revenue	30 153 139	3 062 728	-	33 215 867	69 975 401	-	36 759 534	209%	230%	Donations from NDC amounting to R25m
<b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b>	360 940 373	27 289 532	-	388 230 505	452 571 222	-	62 341 017	809%	1987%	Refer to corr of error note 5
Employee Costs	101 035 765	-1 432 715	-	99 603 050	104 241 012	-	4 637 932	105%	105%	N/A
Remuneration Of Councilors	19 091 720	-737 631	-	18 354 089	18 351 948	-	-22 141	100%	96%	N/A
Debt Impairment	55 997 200	-	-	55 997 200	88 278 610	-	32 282 410	156%	156%	Corrected billing raised increased debts note 5
Depreciation & Asset Impairment	174 084 397	-130 434 397	-	43 650 000	104 878 417	-	61 228 417	240%	60%	
Finance Charges	-	-	-	-	292 989	-	292 989	-	-	
Materials & Bulk Purchases	102 550 000	-21 234 750	-	81 315 250	100 318 137	-	19 002 887	123%	96%	Late payment of creditors. Council authorised UIF
Transfers & Grants	20 100 544	-876 306	-	19 224 237	4 997 000	-	-14 227 237	26%	25%	Adjusted due to 1st 6 month spending
Other Expenditures	69 344 038	1 338 381	-	70 682 419	83 430 650	-	12 748 181	118%	120%	EPWP only. Free basic water and Electricity mapped v
<b>Total Expenditure</b>	542 203 714	-158 377 409	-	383 826 305	504 769 743	-	115 943 438	116%	502%	Free basic water and Electricity mapped with other exp
<b>Surplus/(Deficit)</b>	-179 263 341	180 667 241	-	1 403 500	-52 198 521	-	-53 922 421	-147%	-1427%	
Transfers Recognised - Capital & Contributed Assets	-	-	-	-	80 006 765	-	-	-	-	
Share Of Surplus/(Deficit) Of Associate	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) For The Year</b>	-68 443 591	181 187 994	-	112 744 403	27 898 244	-	-84 846 159	1613%	103%	
<b>Capital Expenditure &amp; Funds Sources</b>										
<b>Capital Expenditure</b>										
Transfers Recognised - Capital	110 819 750	520 753	-	111 340 503	90 357 096	-	-20 983 407	81%	82%	N/A
Public Contributions & Donations	-	-	-	-	-	-	-	-	-	
Borrowing	-	-	-	-	-	-	-	-	-	
Internally Generated Funds	-	-	-	-	-	-	-	-	-	
<b>Total Sources Of Capital Funds</b>	110 819 750	520 753	-	111 340 503	90 357 096	-	-20 983 407	81%	82%	N/A
<b>Cash flows</b>										
Net Cash From (Used) Operating	117 372 475	-265 534 624	-	-145 162 146	135 614 744	-	280 776 893	-93%	116%	N/A
Net Cash From (Used) Investing	-110 819 750	-520 753	-	-111 340 503	-90 357 096	-	-21 012 385	81%	82%	N/A
Net Cash From (Used) Financing	-	-	-	-	-	-	-	-	-	
<b>Cash/Cash Equivalents At The Year End</b>	8 552 724	-263 055 376	-	-256 502 652	45 288 576	-	-301 789 228	-12%	187%	

RECONCILIATION IN THE NOTES TO THE FINANCIAL STATEMENTS

Reconciliation Of Budget Surplus/Deficit With The Statement Of Financial Performance	
Net Surplus/Deficit Per The Statement Of Financial Performance	27 898 244
Adjusted For:	-
Fair Value Adjustments	-
Impairments Recognised/Reversed	-593 958
Surplus/Deficit On The Sale Of Assets	72 199
Increases/Decreases In Provisions	-
List other relevant adjustments here	-
<b>Net Surplus/Deficit Per Approved Budget</b>	<b>27 376 485</b>